



FORT LEWIS COLLEGE

**FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2005 and 2004**

**LEGISLATIVE AUDIT COMMITTEE
2005 MEMBERS**

Representative Val Vigil
Chair

Senator Norma Anderson
Vice Chair

Representative Fran Coleman
Senator Deanna Hanna
Representative David Schultheis
Senator Stephanie Takis
Senator Jack Taylor
Representative Al White

Office of the State Auditor Staff

Joanne Hill
State Auditor

Sally Symanski
Deputy State Auditor

Dave Agee
Legislative Auditor

Chadwick, Steinkirchner, Davis & Co., P.C.
Contract Auditors

TABLE OF CONTENTS

	<u>Page</u>
Report Summary	1
Recommendation Locator	3
Mission, History, Enrollment and Staffing.....	4
Findings and Recommendation Report Section	
Findings and Recommendations.....	7
Disposition of Prior Audit Findings	8
Financial Statements Section	
Independent Auditors' Report	9
Management's Discussion and Analysis	11
Statements of Net Assets	17
Fort Lewis College Foundation Statements of Financial Position	18
Statements of Revenues, Expenses, and Changes in Net Assets	19
Fort Lewis College Foundation Statements of Activities.....	20
Statements of Cash Flows.....	22
Notes to the Financial Statements.....	24
Independent Auditors' Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39
Audit Committee Communications	40
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION	
State-Funded Student Assistance Programs	42
Independent Auditors' Report on Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs.....	43
Statement of Appropriations, Expenditures, Transfers and Reversions	45
Notes to Statement of Appropriations, Expenditures, Transfers and Reversions.....	46

**FORT LEWIS COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

Authority, Purpose and Scope

The audit of Fort Lewis College was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all state agencies and educational institutions. The 2005 audit was conducted under contract with Chadwick, Steinkirchner, Davis & Co., P.C. The audit was made in accordance with audit standards generally accepted in the United States of America and, *Government Auditing Standards* issued by the Comptroller General of the United States. Audit work was performed during June through August 2005.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of Fort Lewis College for the years ended June 30, 2005 and 2004 and to express an opinion on the financial statements. Review internal controls as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with rules and regulations governing the expenditures of federal and State funds.
- Express an opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2005.
- Evaluate progress in implementing prior audit recommendations.
- Fort Lewis College's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, are included in the June 30, 2005, Statewide Single Audit Report issued under separate cover.

Audit Results and Summary of Major Audit Findings

Chadwick, Steinkirchner, Davis & Co., P.C. expressed an unqualified opinion on the financial statements for the year ended June 30, 2005.

Chadwick, Steinkirchner, Davis & Co., P.C. also expressed an unqualified opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2005.

Required Auditor Communications to the Legislative Audit Committee

The auditor is required to communicate to the Legislative Audit Committee certain matters related to the conduct of the audit and to ensure that the Legislative Audit Committee receives additional information regarding the scope and results of the audit that may assist the Legislative Audit Committee in overseeing the financial reporting and disclosure process for which management is responsible. These matters have been communicated to the Legislative Audit Committee in this report and include among other items, that no audit adjustments were required and there were no difficulties encountered in performing the audit.

SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

During our fiscal year 2005 audit, we noted that the College has contracted with a third-party to perform administration compliance procedures for Perkins Loans. During a transition of College personnel in March 2005, certain procedures relating to the monitoring of the third-party were not consistently performed. This occurred because the control procedures had not been documented and clearly communicated to the newly assigned employee.

Recommendations and College Responses

A summary of the recommendation for the above comment is included in the Recommendation Locator included at the end of this summary. The Recommendation Locator also shows the College's response to the audit recommendation. A detailed description of the audit comment and recommendation is contained in the findings and recommendations section of the report.

Summary of Progress in Implementing Prior Audit Findings

There were no findings in the prior year.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	7	Fort Lewis College should improve compliance procedures for Perkins Loans by: a. Documenting internal control policies and procedures to monitor compliance with Perkins Loans requirements. b. Communicating monitoring procedures related to third-party performance to assigned College personnel.	 Agree Agree	 June 30, 2006 June 30, 2006

MISSION, HISTORY, ENROLLMENT, AND STAFFING

MISSION

The following mission statement has been adopted by the Board of Trustees for Fort Lewis College.

The mission of Fort Lewis College is to open minds and kindle thought and action by instilling in students knowledge, a desire to acquire knowledge, the tools for doing so, and an understanding of how knowledge can be put to use for a common good. The experiences students have here should help them learn to live wisely and should make a significant difference in their futures by enabling them to pursue their own educational goals throughout their lives. They should be able to demonstrate thoughtful scholarship in pursuing and weighing knowledge. They should be able to communicate and cooperate with others. The College should also play an active role in the community and the region as a multifaceted learning resource.

Fort Lewis College has chosen to pursue its mission via its historic role as an undergraduate, public, four-year liberal arts college. Because of the liberal arts focus, we require common general studies courses which include the fine arts, humanities, social sciences, mathematics, and the natural sciences in addition to more specialized junior and senior courses offered through the various majors. Our curriculum is designed both to ensure that students understand the values and assumptions implicit in their major fields of study and to prepare them for a rapidly changing world.

The College's first obligation is to create a personalized learning environment in which faculty and staff are accessible to all of its students. Therefore excellence in classroom teaching is our first priority. We are committed to hiring experienced faculty and professional staff dedicated to teaching and to working directly with students. The College also supports and encourages research, scholarly inquiry and creative performance by its faculty in order to enhance their work with students and the students' own work. We will continue to acquire the resources necessary to fulfill our primary mission.

It is essential to Fort Lewis College's mission that we contribute to the cultural diversity and economic development of the Four Corners region. To play an active role in the community, state and region, we must ensure that our programs fulfill the needs of our student population and the residents of our area. Our ethnic and regional heritage must be reflected in the make-up of our student body, in our special programs, and in our curriculum. Because of terms established in the original charter of the College, we have an honored tradition of providing tuition-free education for American Indian students. The College will continue to enhance educational opportunities for other minority groups, especially those originating in the Southwest. While a large percentage of our students should continue to come from Colorado, the College will encourage enrollment of students from other regions and from abroad in order to provide a diversified student body.

MISSION, HISTORY, ENROLLMENT, AND STAFFING

HISTORY

Fort Lewis College is named for Fort Lewis, a U.S. Army Post established in 1878 at Pagosa Springs, Colorado. Two years later, the military post moved to Hesperus, Colorado, a location more central to Indian settlements and pioneer communities. The U.S. government abandoned the site as a military post in 1891, and in its stead, established Fort Lewis as a school offering free education to Native American students.

By 1911, Congress had deeded the Hesperus site to the State of Colorado, which then established a high school of agriculture under the supervision of the State Board of Agriculture. The school began to offer some college-level courses in 1925, and in 1933, Fort Lewis began to offer college courses exclusively. In 1948, Fort Lewis was officially designated a junior college with its own president.

Fort Lewis moved to the Durango campus in 1956. The first baccalaureate degrees were granted in 1964. In 1986, Fort Lewis joined the Colorado State University System under the governance of the State Board of Agriculture. Colorado State University in Fort Collins and the University of Southern Colorado in Pueblo were sister institutions in the system. In 2002, the Board of Trustees for Fort Lewis College began governance of the College separate from the State Board of Agriculture.

Fort Lewis continues to honor its historic commitment to Native Americans by offering tuition scholarships to all qualified American Indians who meet admission requirements. It is the only college in Colorado to do so, as it has for more than 100 years.

Fort Lewis College's statutory authority is in the Colorado Revised Statutes (CRS) 23-52-101.

ENROLLMENT

Enrollment data for the past three years are presented below as student full-time equivalents (FTE.) Each FTE is equal to 30 credit hours during the fiscal year.

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>
Resident FTE	2,733.0	2,727.0	2,783.9
Non-Resident FTE	<u>1,127.0</u>	<u>1,214.0</u>	<u>1,296.1</u>
Total FTE Students	<u>3,860.0</u>	<u>3,941.0</u>	<u>4,080.0</u>

MISSION, HISTORY, ENROLLMENT, AND STAFFING

STAFFING

Staffing data for the past three years are presented below as employee full-time equivalents (FTE.) Each faculty FTE is equal to 30 credit hours taught during the fiscal year. Each staff FTE is equal to working 2,080 hours each fiscal year.

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>
Faculty FTE	197.0	216.4	219.1
Staff FTE	<u>275.0</u>	<u>286.6</u>	<u>306.6</u>
Total FTE	<u>472.0</u>	<u>503.0</u>	<u>527.7</u>

FINDINGS & RECOMMENDATIONS SECTION

AUDITORS' FINDINGS AND RECOMMENDATIONS

Student Financial Aid

During our audit for the fiscal year ended June 30, 2005, we noted that Fort Lewis College has contracted with a third-party to perform administration compliance procedures for Perkins Loans, which consists of furnishing all services for billing, collection and accounting of all Perkins loans. This includes sending all grace period communications and conducting exit interviews for borrowers who do not meet the program's enrollment thresholds. Fort Lewis College received \$512,056 for Perkins loans during the current fiscal year. During a transition of College personnel responsible for oversight of the third party in March 2005, certain procedures relating to the monitoring of the third-party were not consistently performed. This occurred because the control procedures and policies had not been documented and clearly communicated to the newly assigned employee. We noted instances where required follow up related to student exiting and grace period contacting compliance requirements had not been initiated by the third-party. Our findings did not result in any questioned costs related to Fort Lewis College's student financial aid programs. However, without these monitoring procedures the College cannot ensure that the contractor is conducting activities required under the federal Perkins program.

Recommendation No. 1

Fort Lewis College should document its internal control policies and procedures and communicate them clearly to employees with responsibilities for monitoring compliance with Perkins Loans requirements. This plan should include assignment of specific College personnel to be responsible for the monitoring of procedures of the third-party contract performance.

Fort Lewis College Response:

Agree.

The College will implement a plan effective June 30, 2006 to document and clearly communicate Perkins loans internal control policies and procedures to employees who monitor the third-party to ensure compliance for Perkins Loans.

DISPOSITION OF PRIOR AUDIT FINDINGS

Fort Lewis College has no prior audit findings or recommendations.

FINANCIAL STATEMENTS SECTION

**INDEPENDENT AUDITORS' REPORT**

August 26, 2005

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of Fort Lewis College, a component unit of the State of Colorado, and its discretely presented component unit as of and for the year ended June 30, 2005. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Fort Lewis College as of June 30, 2004, were audited by other auditors whose report dated September 9, 2004 expressed an unqualified opinion on those statements. We did not audit the financial statements of Fort Lewis College Foundation, the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fort Lewis College Foundation, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Fort Lewis College as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2005 on our consideration of Fort Lewis College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



August 26, 2005

Page Two

Management's Discussion and Analysis on pages eleven through sixteen is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Chadwick, Steinkirchner, Davis & Co., P.C.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2005 AND 2004

Fort Lewis College management is pleased to present this discussion and analysis of the College. It provides an analysis of the College's financial activities based on currently known facts, decisions, and conditions.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2005:

- The College's financial position, as a whole, declined slightly during the year ended June 30, 2005. The combined net assets decreased \$1,528,195 or 1.7% from the previous year.
- State General Fund appropriations remained the same as in the previous year. This was a result of a weak state economy and legal funding requirements for other state programs.
- Gross tuition and fee revenue increased by 1.7% from the previous year.

Year Ended June 30, 2004:

- The College's financial position, as a whole, improved during the year ended June 30, 2004. The combined net assets increased \$1,037,821 or 1.1% from the previous year.
- State General Fund appropriations decreased by 17.1% from the previous year. This was a result of a weak state economy and legal funding requirements for other state programs.
- Gross tuition and fee revenue increased by 2.8% from the previous year.

This report consists of three basic financial statements, including the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows. The statements provide information on the College as a whole and report on all of the College activities including instruction, research, public service, and support services. The Statements of Net Assets and the Statements of Revenues, Expenses, and Changes in Net Assets report financial position and financial activity using the accrual basis of accounting (reporting all of the year's revenues and expenses when earned or incurred, rather than when the cash is received or paid.) The financial statements and notes are presented for the reporting entity of the College that includes Fort Lewis College and the Fort Lewis College Foundation, a discretely presented component unit. (See Note 1 for additional information on the reporting entity.)

STATEMENTS OF NET ASSETS

The Statements of Net Assets report assets, liabilities, and net assets (the difference between assets and liabilities.)

Condensed Statements of Net Assets

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Current Assets	\$15,589,419	\$15,706,433	\$15,417,565
Noncurrent Assets	<u>97,550,682</u>	<u>99,206,029</u>	<u>100,074,881</u>
Total Assets	<u>113,140,101</u>	<u>114,912,462</u>	<u>115,492,446</u>
Current Liabilities	7,788,434	6,821,468	7,119,136
Noncurrent Liabilities	<u>14,709,726</u>	<u>15,920,858</u>	<u>17,240,995</u>
Total Liabilities	<u>22,498,160</u>	<u>22,742,326</u>	<u>24,360,131</u>
Net Assets:			
Invested in capital assets, net of related debt	78,314,159	78,894,271	78,070,871
Restricted	7,293,465	7,437,184	7,716,689
Unrestricted	<u>5,034,317</u>	<u>5,838,681</u>	<u>5,344,755</u>
Total Net Assets	<u>\$90,641,941</u>	<u>\$92,170,136</u>	<u>\$91,132,315</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2005 AND 2004

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statements of Revenues, Expenses and Changes in Net Assets report the results of operating and nonoperating revenues and expenses during the year, as well as the resulting increase or decrease in net assets during the year.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	Year Ended <u>June 30, 2005</u>	Year Ended <u>June 30, 2004</u>	Year Ended <u>June 30, 2003</u>
Operating Revenues			
Tuition and Fees, Net	\$13,235,638	\$13,008,226	\$12,862,367
Grants and Contracts	14,648,284	14,324,200	14,120,591
Auxiliary Services, Net	12,427,688	11,102,097	11,316,455
Other	<u>506,620</u>	<u>506,149</u>	<u>502,880</u>
Total Operating Revenues	<u>40,818,230</u>	<u>38,940,672</u>	<u>38,802,293</u>
Operating Expenses	<u>50,640,385</u>	<u>47,236,026</u>	<u>49,986,137</u>
Net Operating Revenues (Expenses)	<u>(9,822,155)</u>	<u>(8,295,354)</u>	<u>(11,183,844)</u>
Nonoperating Revenues (Expenses):			
State Appropriations	7,435,158	7,435,161	8,967,628
Other Net Nonoperating Revenues	<u>792,806</u>	<u>426,867</u>	<u>347,356</u>
Net Nonoperating Revenues	<u>8,227,964</u>	<u>7,862,028</u>	<u>9,314,984</u>
Income (Loss) Before Other			
Revenues, Expenses, or Transfers	(1,594,191)	(433,326)	(1,868,860)
State Capital Contributions	30,406	711,258	5,150,011
Capital Grants and Gifts	35,590	759,889	77,670
Other	<u>-</u>	<u>-</u>	<u>39,163</u>
Increase (Decrease) in Net Assets	<u>(1,528,195)</u>	<u>1,037,821</u>	<u>3,397,984</u>
Net Assets – Beginning of Year	<u>92,170,136</u>	<u>91,132,315</u>	<u>87,734,331</u>
Net Assets – End of Year	<u>\$90,641,941</u>	<u>\$92,170,136</u>	<u>\$91,132,315</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2005 AND 2004

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows report relevant information about the cash receipts and cash payments of the College during the year.

Condensed Statements of Cash Flows

	Year Ended June 30, 2005	Year Ended June 30, 2004	Year Ended June 30, 2003
Cash Provided (Used) by:			
Operating Activities	(\$5,117,792)	(\$3,858,962)	(\$4,085,316)
Noncapital Financing Activities	8,163,098	8,337,584	9,565,839
Capital and Related Financing			
Activities	(4,481,721)	(4,929,141)	(3,838,693)
Investing Activities	<u>468,108</u>	<u>170,831</u>	<u>970,539</u>
Net Increase (Decrease) in Cash	(968,307)	(279,688)	2,612,369
Cash, Beginning of Year	<u>16,489,560</u>	<u>16,769,248</u>	<u>14,156,879</u>
Cash, End of Year	<u>\$15,521,253</u>	<u>\$16,489,560</u>	<u>\$16,769,248</u>

CAPITAL ASSETS

At June 30, 2005, the College had approximately \$93 million invested in capital assets, net of accumulated depreciation of \$45.5 million. Depreciation charges were \$4.6 million for the year ended June 30, 2005. At June 30, 2004, the College had approximately \$94.6 million invested in capital assets, net of accumulated depreciation of \$41.1 million. Depreciation charges were \$4.3 million for the year ended June 30, 2004. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	June 30, 2005	June 30, 2004	June 30, 2003
Land and Improvements	\$280,559	\$280,559	\$259,875
Construction in Progress	1,190,865	2,597,888	4,998,609
Collections	1,043,051	761,570	754,380
Land Improvements, Net	12,013,287	12,296,846	9,144,768
Buildings and Improvements, Net	75,785,946	76,650,083	77,698,650
Equipment, Net	1,952,375	1,250,601	1,107,509
Library Materials, Net	<u>696,458</u>	<u>717,708</u>	<u>736,439</u>
Total	<u>\$92,962,541</u>	<u>\$94,555,255</u>	<u>\$94,700,230</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2005 AND 2004

Major capital additions completed in fiscal year 2004-05 and the resources that funded their acquisition include:

Voice Over IP Telecommunications project, funded by the College	\$1,186,082
Child Development Center, funded by the College	330,696
Parking Lot Improvements, funded by the College	288,207
Berndt Hall Computer Room Air Conditioner, funded by the College	154,738
Residence Hall Improvements, funded by the College	118,561
Centennial Apts. Hot Water System Replacement, funded by the College	<u>122,911</u>
	<u>\$2,201,195</u>

The following significant capital projects were in progress at June 30, 2005:

College Union Building ("CUB") Roof replacement and improvements, funded by revenue bonds	\$425,112
Center of Southwest Studies Shelving Project, funded by the College	255,910
Physical Plant Storage Facility, funded by the College	175,246
Institutional Facilities Master Plan, funded by the College	<u>135,312</u>
	<u>\$991,580</u>

Major capital additions completed in fiscal year 2003-04 and the resources that funded their acquisition include:

Fire Alarm System renovation, funded by State Controlled Maintenance Funds	\$1,409,802
Raider Avenue improvements, funded by State Controlled Maintenance Funds	1,220,862
CUB Chiller improvements, funded by the College	1,129,077
Hesperus Hall demolition and site restoration, funded by State Capital Construction Funds	692,034
Physical Plant Services Building renovation, funded by State Controlled Maintenance Funds	<u>509,171</u>
	<u>\$4,960,946</u>

The following significant capital projects were in progress at June 30, 2004:

Child Development Center, funded by the College	\$2,050,174
CUB Roof replacement and improvements, funded by revenue bonds	<u>289,138</u>
	<u>\$2,339,312</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2005 AND 2004

DEBT

At June 30, 2005 and June 30, 2004, the College had approximately \$14.7 million and \$15.9 million in debt outstanding respectively. The table below summarizes these amounts by type of debt.

Outstanding Debt, at Year-End

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Auxiliary Revenue Bonds, Net	\$14,554,340	\$15,699,906	\$16,835,472
Capital Lease Obligations	126,953	157,718	217,850
Other Long Term Debt	<u>47,492</u>	<u>67,768</u>	<u>86,036</u>
Total	<u>\$14,728,785</u>	<u>\$15,925,392</u>	<u>\$17,139,358</u>

ECONOMIC OUTLOOK &
FORT LEWIS COLLEGE FUTURE

The State of Colorado continues to be challenged by economic strain and uncertainty. According to the State's economists, Colorado faces a \$630 million structural budget deficit, and without constitutional change will be required to cut budgets, resulting in the elimination of essential services.

In recent legislative action, the 2004 Colorado Legislature passed the College Opportunity Fund bill, which goes into effect for the 2005-06 fiscal year. This program redefines funding for higher education by using a voucher/stipend for eligible students to allocate dollars to institutions. The intent of the College Opportunity Fund is to shift the method of state funding for higher education to a more student driven model. The legislation also aims to improve access to higher education for traditionally under-represented groups. This program has been successfully implemented at Fort Lewis College for the Fall 2005 semester.

Due to the State budget situation and the recent change in funding methodology, the importance of enrollment has become even more paramount to the success of public institutions than in the past. Recognizing this changing landscape, the College is reviewing and analyzing its administrative structure, with the intention of reorganizing in order to place a greater emphasis on the enrollment management function.

As part of the College's enrollment plan, in Fall 2002, the College implemented an initiative designed to increase student success by accepting incoming freshmen that are better prepared for college level work. Conversely, the College now defers admission to those students who are not yet ready to attend college. Ultimately, the increase in student preparedness will stabilize the size and quality of the freshman class and therefore, increase students' chances for success, as measured by retention and graduation rates. As a result of this strategic initiative, the Fall 2005

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2005 AND 2004

incoming Freshman class has the highest academic credentials of any class admitted to the College.

In concert with the initiative described above, President Brad Bartel provided the necessary leadership to have the College's State level selectivity designation changed from "*Moderately Selective*" to "*Selective*" during the 2005 legislative session, under HB/SB 05-194, enacted by the General Assembly. The College will phase in this change over the next three years.

The College continues working on other major initiatives, including developing and implementing a new strategic planning process which focuses on quality education and students, growth in the student body, community interaction of student learning and emphasis on fund raising. Furthermore, the College is in final stages of completing the institutional Facilities Master Plan.

Fort Lewis College
Statements of Net Assets
June 30, 2005 and 2004

ASSETS	<u>2005</u>	<u>2004</u>
Current Assets:		
Cash and Cash Equivalents	\$12,706,481	\$13,544,049
Student Accounts Receivable, Net	310,542	236,813
Accounts Receivable - Fort Lewis College Foundation	41,285	54,406
Other Accounts Receivable	1,185,555	865,106
Student Loans Receivable, Net	390,485	353,744
Inventories	658,185	587,852
Prepaid Expense	296,886	64,463
Total Current Assets	<u>15,589,419</u>	<u>15,706,433</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,814,770	2,945,511
Student Loans Receivable, Net	1,773,370	1,705,263
Nondepreciable Capital Assets:		
Land and Improvements	280,559	280,559
Construction in Progress	1,190,865	2,597,888
Collections	1,043,051	761,570
Total Nondepreciable Capital Assets	<u>2,514,475</u>	<u>3,640,017</u>
Depreciable Capital Assets:		
Land Improvements, Net	12,013,288	12,296,846
Buildings and Improvements, Net	75,785,946	76,650,083
Equipment, Net	1,952,375	1,250,601
Library Materials, Net	696,458	717,708
Total Depreciable Capital Assets, Net	<u>90,448,067</u>	<u>90,915,238</u>
 Total Noncurrent Assets	 <u>97,550,682</u>	 <u>99,206,029</u>
 Total Assets	 <u>113,140,101</u>	 <u>114,912,462</u>
 LIABILITIES		
Current Liabilities:		
Accounts Payable	1,144,134	663,851
Accrued Liabilities	4,283,693	4,130,298
Deferred Revenue	614,133	391,647
Deposits Held for Others	234,287	227,668
Bonds Payable, Current Portion	1,210,000	1,175,000
Capital Leases Payable - Fort Lewis College Foundation, Current Portion	125,494	61,914
Other Long Term Liabilities, Current Portion	20,277	20,277
Compensated Absence Liabilities	156,416	150,813
Total Current Liabilities	<u>7,788,434</u>	<u>6,821,468</u>
Noncurrent Liabilities:		
Bonds Payable, Net	13,344,340	14,524,906
Capital Leases Payable - Fort Lewis College Foundation	1,459	95,804
Other Long Term Liabilities	27,215	47,491
Compensated Absence Liabilities	1,336,712	1,252,657
Total Noncurrent Liabilities	<u>14,709,726</u>	<u>15,920,858</u>
 Total Liabilities	 <u>22,498,160</u>	 <u>22,742,326</u>
 NET ASSETS		
Invested in Capital Assets, Net of Related Debt	78,314,159	78,894,271
Restricted for Nonexpendable Purposes:		
Endowment	141,649	141,649
Restricted for Expendable Purposes		
Endowment	483,988	462,068
Debt Service	1,682,978	1,729,121
Other	4,984,850	5,104,346
Unrestricted	5,034,317	5,838,681
Total Net Assets	<u>\$90,641,941</u>	<u>\$92,170,136</u>

The accompanying notes are an integral part of this financial statement.

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2005 and 2004

ASSETS	<u>2005</u>	<u>2004</u>
Pooled Cash and Investments	\$ 8,849,516	\$ 8,722,576
Grant Receivable	2,600	2,600
Pledges Receivable	180,000	180,000
Other Current Assets	14,457	8,405
Notes Receivable	14,899	17,795
Net Investment in Property Leased to Fort Lewis College	126,953	157,718
Segregated Cash and Investments	2,336,883	2,108,740
Tangible Assets, Net	<u>5,570,511</u>	<u>4,574,605</u>
 Total Assets	 <u><u>\$ 17,095,819</u></u>	 <u><u>\$ 15,772,439</u></u>
 LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 16,445	\$ 10,304
Accounts Payable - Fort Lewis College	45,266	54,406
Gift Annuity Obligation Payable	399,290	434,783
Mortgage Payable	<u>476,084</u>	<u>-</u>
 Total Liabilities	 <u>937,085</u>	 <u>499,493</u>
 NET ASSETS		
Unrestricted		
Board Designated	120	11,052
Board Designated Endowment	284,833	274,814
Gifts-in-Kind	376,104	377,854
General Unrestricted	<u>384,026</u>	<u>470,661</u>
	<u>1,045,083</u>	<u>1,134,381</u>
Temporarily Restricted		
Scholarships, Awards, and Other	6,587,335	6,685,252
Gifts-in-Kind and tangible Assets	<u>2,612,857</u>	<u>1,615,201</u>
	<u>9,200,192</u>	<u>8,300,453</u>
Permanently Restricted		
True Endowments	3,331,909	3,256,562
Gifts-in-Kind	<u>2,581,550</u>	<u>2,581,550</u>
	<u>5,913,459</u>	<u>5,838,112</u>
 Total Net Assets	 <u>16,158,734</u>	 <u>15,272,946</u>
 TOTAL LIABILITES AND NET ASSETS	 <u><u>\$ 17,095,819</u></u>	 <u><u>\$ 15,772,439</u></u>

The accompanying notes are an integral part of this financial statement.

Fort Lewis College
 Statements of Revenues, Expenses, and Changes in Net Assets
 For the Years Ended June 30, 2005 and 2004

REVENUES	<u>2005</u>	<u>2004</u>
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of \$2,065,936 -2005 and \$2,043,578 -2004 and net of scholarship allowances of \$11,371,957 -2005 and \$10,165,614 -2004)	\$13,235,638	\$13,008,226
Federal Grants and Contracts	6,223,307	6,678,809
State Grants and Contracts	7,970,986	7,411,363
Local Grants and Contracts	71,548	135,093
Non-Governmental Grants and Contracts	382,443	98,935
Sales and Services of Educational Activities	441,679	416,506
Auxiliary Enterprises (including pledged revenues of \$11,602,943 -2005 and \$10,909,117 -2004 and net of scholarship allowances of \$817,660 -2005 and \$946,669 -2004)	12,427,688	11,102,097
Other Operating Revenues	64,941	89,643
Total Operating Revenues	<u>40,818,230</u>	<u>38,940,672</u>
 EXPENSES		
Operating Expenses:		
Instruction	14,465,274	14,116,176
Research	355,184	194,011
Public Service	1,504,456	1,106,376
Academic Support	3,978,577	3,781,280
Student Services	4,762,002	4,272,578
Institutional Support	3,846,855	3,112,262
Operation and Maintenance of Plant	4,159,222	3,413,357
Scholarships and Fellowships	1,950,594	1,906,702
Auxiliary Enterprises	10,999,225	11,029,216
Depreciation	4,618,996	4,304,068
Total Operating Expenses	<u>50,640,385</u>	<u>47,236,026</u>
Operating Income (Loss)	<u>(9,822,155)</u>	<u>(8,295,354)</u>
 NONOPERATING REVENUES (EXPENSES)		
State Appropriations	7,435,158	7,435,161
Gifts (including pledged revenues of \$140,820 - 2005 and \$48,114 - 2004)	994,907	940,651
Investment Income (including pledged revenues of \$120,316 -2005 and \$29,702 - 2004)	468,101	159,504
Interest Expense on Capital Debt	(672,860)	(708,903)
Gain or (Loss) on Disposal of Assets	(22,230)	(27,611)
Other Nonoperating Revenues	24,888	63,226
Net Nonoperating Revenues	<u>8,227,964</u>	<u>7,862,028</u>
Income (loss) before other revenues, expenses, or transfers	<u>(1,594,191)</u>	<u>(433,326)</u>
 OTHER REVENUES, (EXPENSES), OR TRANSFERS		
State Capital Contributions	30,406	711,258
Capital Grants and Gifts (including pledged revenues of \$373,583 -2004 and zero in 2005)	35,590	759,889
Increase (Decrease) in Net Assets	<u>(1,528,195)</u>	<u>1,037,821</u>
 NET ASSETS		
Net Assets - Beginning of Year	<u>92,170,136</u>	<u>91,132,315</u>
Net Assets - End of Year	<u>\$90,641,941</u>	<u>\$92,170,136</u>

The accompanying notes are an integral part of this financial statement.

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

	2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS, BEGINNING OF YEAR	\$ 1,134,381	\$ 8,300,453	\$ 5,838,112	\$15,272,946
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	65,978	870,104	73,445	1,009,527
Investment Income	(9,621)	926,506	-	916,885
Special Events	-	163,840	-	163,840
Other Income	24,962	158,621	-	183,583
Subtotal	81,319	2,119,071	73,445	2,273,835
Net Assets Released from Restriction	1,242,362	(1,242,362)	-	-
Total from Revenues, Gains, and Other Support	1,323,681	876,709	73,445	2,273,835
EXPENSES AND LOSSES				
Scholarships	391,952	-	-	391,952
Awards	1,337	-	-	1,337
Program Expense	918,107	-	-	918,107
Fund Raising	25,610	-	-	25,610
Management and General	52,943	-	-	52,943
Total Expenses and Losses	1,389,949	-	-	1,389,949
Changes in Donor Restrictions	(23,030)	23,030	1,902	1,902
Change in Net Assets for the Year	(89,298)	899,739	75,347	885,788
Net Assets at End of Year	\$ 1,045,083	\$ 9,200,192	\$ 5,913,459	\$ 16,158,734

The accompanying notes are an integral part of this financial statement.

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

	2004			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
NET ASSETS, BEGINNING OF YEAR	\$ 1,256,949	\$ 6,619,062	\$ 5,881,524	\$ 13,757,535
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	30,667	1,977,155	81,035	2,088,857
Donations - Non-cash	65,028	28,707	-	93,735
Investment Income	106,216	637,908	-	744,124
Special Events				
Income	78,873	389,109	-	467,982
Cost of Direct Benefits	(77,844)	-	-	(77,844)
Other Income	8,030	177,248	-	185,278
Subtotal	210,970	3,210,127	81,035	3,502,132
Net Assets Released from Restriction	1,641,920	(1,641,920)	-	-
Total from Revenues, Gains, and Other Support	1,852,890	1,568,207	81,035	3,502,132
EXPENSES AND LOSSES				
Scholarships	600,863	-	-	600,863
Awards	3,114	-	-	3,114
Program Expense				
Debt Forgiveness	65,713	-	-	65,713
Child Development Center	325,000	-	-	325,000
Other	831,774	-	-	831,774
Fund Raising	78,879	-	-	78,879
Management and General	70,115	-	-	70,115
Loss on Uncollectible Pledges	-	11,263	-	11,263
Total Expenses and Losses	1,975,458	11,263	-	1,986,721
Changes in Donor Restrictions	-	124,447	(124,447)	-
Change in Net Assets for the Year	(122,568)	1,681,391	(43,412)	1,515,411
Net Assets at End of Year	<u>\$ 1,134,381</u>	<u>\$ 8,300,453</u>	<u>\$ 5,838,112</u>	<u>\$ 15,272,946</u>

The accompanying notes are an integral part of this financial statement.

Fort Lewis College
 Statements of Cash Flows
 For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition and Fees	\$ 13,108,894	\$ 12,962,288
Sales of Products	2,711,528	2,864,572
Sales of Services	9,974,728	8,497,211
Grants and Contracts	14,824,113	14,376,979
Student Loans Collected	434,674	546,399
Other Operating Receipts	145,080	208,195
 Cash Payments:		
Scholarships Disbursed	(1,950,594)	(1,906,702)
Student Loans Disbursed	(552,915)	(490,022)
Payments to Suppliers	(14,779,348)	(12,489,487)
Payments to Employees	(28,979,153)	(28,373,048)
Other Operating Payments	(54,799)	(55,347)
Net Cash Provided (Used) by Operating Activities	(5,117,792)	(3,858,962)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations - Noncapital	7,435,158	7,435,161
Gifts for Other than Capital Purposes	707,920	938,574
Agency Receipts	12,554,836	12,817,470
Agency Payments	(12,534,816)	(12,853,621)
Net Cash Provided by Noncapital Financing Activities	8,163,098	8,337,584
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contracts	33,516	216,311
Capital Gifts	298,175	375,412
Proceeds from Sale of Capital Assets	-	3,500
Acquisition and Construction of Capital Assets	(2,963,313)	(3,419,174)
Principal Paid on Capital Debt	(1,205,765)	(1,165,000)
Interest on Capital Debt	(644,336)	(674,585)
Bond Arbitrage Rebate	-	(265,605)
Net Cash Provided (Used by Capital and Related Financing Activities)	(4,481,723)	(4,929,141)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	468,108	170,831
Net Cash Provided by Investing Activities	468,108	170,831
 Net Increase (Decrease) in Cash	(968,309)	(279,688)
Cash - Beginning of Year	16,489,560	16,769,248
Cash - End of Year	15,521,251	16,489,560

Fort Lewis College
 Statements of Cash Flows
 For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (9,822,155)	\$ (8,295,354)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	4,618,996	4,304,068
Net increase in other Nonoperating revenues/expenses	(228,672)	63,226
Noncash Operating Transactions	(19,884)	(15,695)
Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	(503,387)	164,954
Inventories	(70,332)	1,104
Prepaid Expense	(232,424)	(9,152)
Construction in Progress	23,354	13,354
Accounts Payable	543,864	88,419
Accrued Liabilities	263,895	(88,112)
Deferred Revenue	218,282	(21,654)
Deposits Held for Others	1,013	1,922
Compensated Absence Liabilities	89,658	(66,042)
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,117,792)</u>	<u>\$ (3,858,962)</u>
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
State Capital Contributions	\$ 30,406	\$ 711,258
Capital Lease Payments Waived	-	65,713
Donations of Capital Assets	272,965	59,451
Loss on Capital Asset Deletions	22,231	31,111

The accompanying notes are an integral part of this financial statement.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNANCE

Fort Lewis College (the College) is governed by the Board of Trustees for Fort Lewis College (the Board.) The Board is comprised of nine members. Seven members are appointed by the Governor of Colorado for four-year terms. An elected member of the student body of the College serves for a one-year term and an elected member of the faculty of the College serves for two-year terms.

REPORTING ENTITY AND COMPONENT UNIT

Fort Lewis College is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the College is included as part of the State of Colorado's primary government. A copy of the State Comprehensive Annual Financial Report may be obtained from the State Controller's Office.

The College implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units* during fiscal year 2004. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, should be included in the College's financial reporting entity. The College has determined that the Fort Lewis College Foundation (the Foundation) meets the GASB Statement No. 39 criteria for inclusion in the College's financial statements.

The Foundation is a legally separate, tax-exempt component unit of Fort Lewis College. In December, 1969 the Foundation was organized and issued a Certificate of Incorporation under the Colorado Non-Profit Corporation Act. The purposes of the corporation are to "...assist in promoting, developing and enhancing the facilities and programs of Fort Lewis College...." (Per Articles of Incorporation III.) Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities, facilities, and programs of the College by the donors. Because these restricted resources held by the Foundation can only be used for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition and presentation features. No modifications have been made to the Foundation's financial information in the College's financial statements for these differences.

The amount transferred from the Foundation to the College, during the fiscal year ended June 30, 2005, for the purposes stated above was \$994,187 and for the year ended June 30, 2004 was \$1,382,076. In the College's 2005 Statements of Revenues, Expenses, and Changes in Net Assets, the amounts transferred are included in gift revenue and in 2004 are included in gift revenue and capital grants and gifts. In the Foundation's Statement of Activities, the amounts transferred are included in scholarships, program expenses, and/or management and general, depending on donor intent. Complete financial statements for the Foundation can be obtained from the Controller's Office at the College.

As defined by GASB Statement No. 14, the College is not financially accountable for any other entity, nor are there any other entities for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING

The College's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

The College has the option to apply all FASB pronouncements issued after November 30, 1989, unless the FASB standards conflict with GASB standards. The College has elected not to apply FASB pronouncements issued after the applicable date.

Any effort to reconcile this report with presentations made for other purposes, such as data submitted with the institutional budget documents, must take into consideration any differences in the basis of accounting and other requirements for the preparation of such other presentations.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the state treasurer, and all highly liquid investments with an original maturity of three months or less.

INVENTORIES

Inventories of consumable supplies or goods held for resale are stated at the lower of cost or market, with cost being determined either on the first-in, first-out or average cost method. Consumable inventories are accounted for in accordance with State fiscal rules.

RESTRICTED CASH AND CASH EQUIVALENTS

Cash balances that are externally restricted as endowments, or for bond reserve, replacement, or rebate funds, or to purchase capital or noncurrent assets, are classified as noncurrent assets on the Statement of Net Assets.

CAPITAL ASSETS

Capital assets are recorded at cost for items purchased or at current market value at the date of acquisition for donated items. The College capitalizes equipment costing \$5,000 or more and having a useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 20-40 years for buildings, 20-50 years for improvements other than buildings, 3-10 years for equipment, and 15 years for library materials.

COMPENSATED ABSENCE LIABILITIES

Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as compensated absence liabilities in the Statements of Net Assets and as a component of appropriate functional expense categories in the Statements of Revenues, Expenses, and Changes in Net Assets. The current portion of this liability is estimated based on historical trends.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET ASSETS

The College has classified its net assets according to the following criteria:

Invested in Capital Assets, Net of Related Debt – This category represents the College’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but the proceeds have not yet been expended for capital assets, such amounts are not included as a component of this category.

Restricted Net Assets, Nonexpendable – This category consists of endowment funds that are required to be retained in perpetuity.

Restricted Net Assets, Expendable – This category includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties, including unspent debt proceeds.

Unrestricted Net Assets – Unrestricted Net Assets are those that do not meet the definition of “Restricted” or “Invested in Capital Assets, Net of Related Debt” as described above. Generally, these resources will be derived from student tuition and fees, state appropriations, sales and services of educational activities, and sales and services of certain auxiliary and self-funded activities.

CLASSIFICATION OF REVENUES

The College has classified its revenues as either operating or nonoperating according to the following criteria:

Operating revenues – Operating revenues generally result from providing goods and services for instruction, public service, or related support services to an individual or entity separate from the College.

Nonoperating revenues – Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include state appropriations for operations, gifts, investment income, and insurance reimbursement revenue.

APPLICATION OF RESTRICTED AND UNRESTRICTED RESOURCES

The College’s policy is to first apply an expense against restricted resources then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

NOTE 2: CASH AND CASH EQUIVALENTS

As of year-end June 30, 2005, the College had \$15,192,819 on deposit with the State Treasurer. Detailed information on the State Treasurer’s pooled cash and investments is available from that office. At year-end, the carrying amount of the College’s cash was \$328,432. The cash included petty cash and change funds of \$19,321 and bank deposits of \$309,111. The bank balance of the deposits was \$719,406. Of this bank balance, \$176,081 was covered by federal depository insurance or by collateral held by the institution’s agent in the institution’s name and \$543,325 was covered by collateral held by the bank or its agent in the State’s name.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

As of year-end June 30, 2004, the College had \$16,249,103 on deposit with the State Treasurer. On that date, the carrying amount of the College's cash was \$240,457. The cash included petty cash and change funds of \$19,220 and bank deposits of \$221,237. The bank balance of the deposits was \$741,358. Of this bank balance, \$234,335 was covered by federal depository insurance or by collateral held by the institution's agent in the institution's name and \$507,023 was covered by collateral held by the bank or its agent in the State's name.

The College deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS.) The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The College reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's Pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2005. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gains/losses included in income reflect only the change in fair value during the current fiscal year. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS

Under the Foundation's adopted investment policy, investments are identified and allocated using three asset classes. Asset allocation is reviewed at least annually by the Finance Committee. Asset classes include cash and cash equivalents, fixed income securities, and equities. For the years reported herein, cash and cash equivalents consist of demand deposits and money market accounts. Fixed income securities include GNMA pools, other government-back securities individually held and in mutual funds, bonds and bond funds, and preferred stocks. Equities include individual stocks and stock-based mutual funds.

Pooled cash and investments

Pooled cash and investments as of June 30, 2005 and 2004, are summarized as follows:

	<u>June 30, 2005</u>		<u>June 30, 2004</u>	
	<u>Cost Basis</u>	<u>Market Value</u>	<u>Cost Basis</u>	<u>Market Value</u>
Cash and Cash Equivalents	\$ 120,074	\$ 120,074	\$ 242,108	\$ 242,108
Marketable Securities				
Fixed Income	4,663,024	4,640,977	5,389,979	5,407,388
Equities	<u>3,340,540</u>	<u>4,088,465</u>	<u>2,842,422</u>	<u>3,073,080</u>
Total pooled cash and investments	<u>\$ 8,123,638</u>	<u>\$ 8,849,516</u>	<u>\$ 8,474,509</u>	<u>\$ 8,722,576</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS (Continued)

Net unrealized gains of \$477,811 and \$367,381 were recognized on these marketable securities as of June 30, 2005 and 2004, respectively.

Segregated cash and investments

Segregated cash and investments at June 30, 2005 and 2004 are summarized as follows:

	June 30, 2005		June 30, 2004	
	Cost Basis	Market Value	Cost Basis	Market Value
Title III Funds				
Money Market Funds	\$ 22,610	\$ 22,610	\$ 25,229	\$ 25,229
Fixed Income	209,092	208,844	308,631	318,014
Equities	800,750	1,007,518	670,153	757,070
Total Title III Funds	<u>1,032,452</u>	<u>1,238,972</u>	<u>1,004,013</u>	<u>1,100,313</u>
Gift Annuity Trust				
Money Market Funds	1,078	1,078	1,000,000	1,000,000
Fixed Income	398,769	398,622	-	-
Equities	712,884	685,573	-	-
Total Gift Annuity Trust Funds	<u>1,112,731</u>	<u>1,085,273</u>	<u>1,000,000</u>	<u>1,000,000</u>
Schild Fund				
Equities	4,662	12,638	4,528	8,427
Total segregated cash and investments	<u>\$ 2,149,845</u>	<u>\$ 2,336,883</u>	<u>\$ 2,008,541</u>	<u>\$ 2,108,740</u>

Net unrealized gains of \$86,839 and \$114,047 were recognized on these marketable securities as of June 30, 2005 and 2004, respectively.

Total cash and investments

Total cash investments at June 30, 2005 and 2004 are summarized as follows:

	June 30, 2005			June 30, 2004		
	Cost Basis	Market Value	% of Total	Cost Basis	Market Value	% of Total
Cash and Cash						
Equivalents	\$ 143,762	\$ 143,762	1%	\$ 1,267,337	\$ 1,267,337	12%
Marketable Securities						
Fixed Income	5,270,885	5,248,443	47%	5,698,610	5,725,402	53%
Equities	4,858,836	5,794,194	52%	3,517,103	3,838,577	35%
Total	<u>\$ 10,273,483</u>	<u>\$ 11,186,399</u>	<u>100%</u>	<u>\$ 10,483,050</u>	<u>\$ 10,831,316</u>	<u>100%</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 4: ACCOUNTS RECEIVABLE

Accounts Receivable balances are presented net of estimated allowance for doubtful accounts in the accompanying Statements of Net Assets. At June 30, 2005 and 2004 the Accounts Receivable balances are comprised of:

	6/30/2005	6/30/2004
Student Accounts Receivable	\$ 614,245	\$ 518,095
Less: Allowance for Doubtful Accounts	(303,703)	(281,282)
Student Accounts Receivable, Net	310,542	236,813
Student Loans Receivable	2,240,988	2,136,038
Less: Allowance for Doubtful Accounts	(77,133)	(77,031)
Student Loans Receivable, Net	2,163,855	2,059,007
Accounts Receivable – Fort Lewis College Foundation	41,285	54,406
Other Accounts Receivable		
Sponsored Programs	389,792	395,141
Vendor Credits	330,308	228,305
Conferences & Summer Programs	330,382	145,515
Other	135,073	96,145
Other Accounts Receivable	1,185,555	865,106
Total Receivables, Net	\$ 3,701,237	\$ 3,215,332

NOTE 5: CAPITAL ASSETS

The college's capital asset activity for the year ended June 30, 2005 was as follows:

	Balance 6/30/2004	Additions	Deletions	Reclassifications	Balance 6/30/2005
Land	\$ 259,875	\$ –	\$ –	\$ –	\$ 259,875
Land Improvements	16,390,849	–	–	338,283	16,729,132
Buildings and Improvements	107,734,125	–	–	2,493,746	110,227,871
Construction in Progress	2,597,888	3,397,689	1,247,764	(3,556,948)	1,190,865
Equipment	5,055,748	540,403	295,037	724,919	6,026,033
Library Materials	2,897,427	76,544	28,160	–	2,945,811
Capitalized Collections	761,570	281,641	160	–	1,043,051
Total	135,697,482	4,296,277	1,571,121	–	138,422,638
Less Accumulated Depreciation:					
Land Improvements	4,073,319	621,842	–	–	4,695,161
Buildings and Improvements	31,084,043	3,357,882	–	–	34,441,925
Equipment	3,805,147	541,477	272,966	–	4,073,658
Library Materials	2,179,719	97,794	28,160	–	2,249,353
Total Accumulated Depreciation	41,142,228	4,618,995	301,126	–	45,460,097
Capital Assets, Net	\$ 94,555,254	\$ (322,718)	\$ 1,269,995	\$ –	\$ 92,962,541

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 5: CAPITAL ASSETS (Continued)

The college's capital asset activity for the year ended June 30, 2004 was as follows:

	Balance 6/30/2003	Additions	Deletions	Reclassifications	Balance 6/30/2004
Land	\$ 259,875	\$ -	\$ -	\$ -	\$ 259,875
Land Improvements	12,696,542	56,360	-	3,637,947	16,390,849
Buildings and Improvements	105,508,701	-	-	2,225,424	107,734,125
Construction in Progress	4,998,609	3,691,110	219,452	(5,872,379)	2,597,888
Equipment	4,747,298	588,309	288,867	9,008	5,055,748
Library Materials	2,855,361	80,631	38,565	-	2,897,427
Capitalized Collections	754,380	10,848	3,658	-	761,570
Total	<u>131,820,766</u>	<u>4,427,258</u>	<u>550,542</u>	<u>-</u>	<u>135,697,482</u>
Less Accumulated Depreciation:					
Land Improvements	3,551,774	521,545	-	-	4,073,319
Buildings and Improvements	27,810,051	3,273,992	-	-	31,084,043
Equipment	3,639,789	409,168	243,810	-	3,805,147
Library Materials	2,118,922	99,362	38,565	-	2,179,719
Total Accumulated Depreciation	<u>37,120,536</u>	<u>4,304,067</u>	<u>282,375</u>	<u>-</u>	<u>41,142,228</u>
Capital Assets, Net	<u>\$ 94,700,230</u>	<u>\$ 123,191</u>	<u>\$ 268,167</u>	<u>\$ -</u>	<u>\$ 94,555,254</u>

NOTE 6: FORT LEWIS COLLEGE FOUNDATION TANGIBLE ASSETS

Tangible assets include gifts-in-kind and purchased items held by the Foundation. Included in real estate are two condominiums which the Foundation is depreciating over a period of forty years using the straight-line method.

At June 30, 2005 and 2004, tangible assets are comprised of the following:

	June 30, 2005		June 30, 2004	
	Restricted	Unrestricted	Restricted	Unrestricted
Gifts-in-kind				
Real estate	\$ 81,500	\$ 392,000	\$ 81,500	\$ 392,000
Accumulated depreciation	(29,396)	(15,896)	(27,658)	(14,146)
Equipment and other	5,920	-	5,920	-
Collection items	3,680,632	-	3,634,919	-
Total gifts-in-kind	<u>3,738,656</u>	<u>376,104</u>	<u>3,694,681</u>	<u>377,854</u>
Purchased assets				
Real estate	1,306,797	-	339,770	-
Accumulated Depreciation	(16,676)	-	-	-
Collection items	91,730	-	88,400	-
Concert piano	73,900	-	73,900	-
Total purchased assets	<u>1,455,751</u>	<u>-</u>	<u>502,070</u>	<u>-</u>
Total tangible assets	<u>\$ 5,194,407</u>	<u>\$ 376,104</u>	<u>\$ 4,196,751</u>	<u>\$ 377,854</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 6: FORT LEWIS COLLEGE FOUNDATION TANGIBLE ASSETS (Continued)

The Foundation's collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved, and cared for by Fort Lewis College staff, and activities verifying their existence and assessing their condition are performed continuously.

NOTE 7: ACCRUED LIABILITIES

At June 30, 2005 and 2004, the Accrued Liabilities balances, as presented on the Statements of Net Assets, are comprised of:

	<u>6/30/2005</u>	<u>6/30/2004</u>
Accrued Payroll & Benefits	\$ 3,761,967	\$ 3,801,264
Accrued Interest Payable	163,261	171,626
Contractor Retainage	14,617	118,064
Other Liabilities	343,848	39,344
Total	\$ 4,283,693	\$ 4,130,298

NOTE 8: LONG-TERM LIABILITIES

The College's Long-Term Liability activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u> <u>6/30/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2005</u>	<u>Current</u> <u>Portion</u>
Bonds and Leases Payable:					
Revenue Bonds	\$ 15,699,906	\$ -	\$ 1,145,566	\$ 14,554,340	\$ 1,210,000
Lease Obligations	<u>157,717</u>	<u>-</u>	<u>30,764</u>	<u>126,953</u>	<u>125,494</u>
Total Bonds and Leases Payable	<u>15,857,623</u>	<u>-</u>	<u>1,176,330</u>	<u>14,681,293</u>	<u>1,335,494</u>
Other Liabilities:					
Compensated Absences	1,403,470	236,066	146,408	1,493,128	156,416
Other	<u>67,769</u>	<u>-</u>	<u>20,277</u>	<u>47,492</u>	<u>20,277</u>
Total Other Liabilities	<u>1,471,239</u>	<u>236,066</u>	<u>166,685</u>	<u>1,540,620</u>	<u>176,693</u>
Total Long-Term Liabilities	<u>\$ 17,328,862</u>	<u>\$ 236,066</u>	<u>\$ 1,343,015</u>	<u>\$ 16,221,913</u>	<u>\$ 1,512,187</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 8: LONG-TERM LIABILITIES (Continued)

The College's Long-Term Liability activity for the year ended June 30, 2004 was as follows:

	Balance 6/30/2003	Additions	Reductions	Balance 6/30/2004	Current Portion
Bonds and Leases Payable:					
Revenue Bonds	\$ 16,835,472	\$ -	\$ 1,135,566	\$ 15,699,906	\$ 1,175,000
Lease Obligations	217,850	-	60,133	157,717	61,914
Total Bonds and Leases Payable	<u>17,053,322</u>	<u>-</u>	<u>1,195,699</u>	<u>15,857,623</u>	<u>1,236,914</u>
Other Liabilities:					
Compensated Absences	1,469,512	133,301	199,343	1,403,470	150,813
Other	86,037	-	18,268	67,769	20,277
Total Other Liabilities	<u>1,555,549</u>	<u>133,301</u>	<u>217,611</u>	<u>1,471,239</u>	<u>171,090</u>
 Total Long-Term Liabilities	 <u>\$ 18,608,871</u>	 <u>\$ 133,301</u>	 <u>\$ 1,413,310</u>	 <u>\$ 17,328,862</u>	 <u>\$ 1,408,004</u>

NOTE 9: BONDS PAYABLE

As of June 30, 2005 and 2004, the College has revenue bonds payable of \$14,650,000 (less unamortized deferred costs of \$95,660) and \$15,825,000 (less unamortized deferred costs of \$125,094) respectively. For those wishing further information, the College issues a separate report on revenue bond obligations and the operations supporting them. Principal and interest are payable solely from certain student fees and net revenues from operations supporting them. The revenue bonds bear interest at rates ranging from 2.0% to 5.0%, payable semi-annually, and are serial obligations that mature annually with a final payment due October 1, 2019. Funds sufficient to meet all reserve requirements have been placed in replacement and reserve funds. All earnings requirements were satisfied.

Required bond payments to maturity as of June 30, 2005, are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	1,210,000	609,065	1,819,065
2007	1,250,000	573,393	1,823,393
2008	1,270,000	534,444	1,804,444
2009	1,310,000	483,279	1,793,279
2010	1,380,000	419,545	1,799,545
2011-2015	5,870,000	1,106,755	6,976,755
2016-2020	<u>2,360,000</u>	<u>321,287</u>	<u>2,681,287</u>
Total	<u>\$ 14,650,000</u>	<u>\$ 4,047,768</u>	<u>\$ 18,697,768</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 10: DEBT REFUNDING

Revenue Bonds - Series 1985

On September 30, 1985, the College issued the Auxiliary Facilities Acquisition and Refunding Revenue Bonds in the amount of \$7,490,000 for the purpose of obtaining capital for construction projects and refunding the College's existing debt as listed below:

- Refunding and Improvement Revenue Bonds, Series 4-01-63
- Housing System Revenue Bonds of 1966, Series A-D
- Revenue Bonds, Series 4-01-67
- Dormitory Renovation and Construction Revenue Bonds, Series 1973
- Housing System Revenue Bonds, Series 1978
- Dormitory Lease Participation Certificates, 6-01-83

The outstanding debt refunded was in the amount of \$7,998,000 and was accomplished by depositing in an escrow account a portion of the net proceeds of the new bond issue an amount fully sufficient, together with known minimum yield from investment of such monies, to pay principal, interest, and any redemption premium on the refunded issues. The balance of debt outstanding on the refunded issues at June 30, 2005, was \$1,280,000.

Revenue Bonds - Series 1998A

On September 1, 1998, the College issued the Auxiliary Facilities Enterprise Refunding Revenue Bonds, Series 1998A in the amount of \$5,130,000 for the purpose of refunding a portion of the College's existing Auxiliary Facilities Refunding and Improvement Revenue Bonds, Series 1992. The outstanding debt refunded was in the amount of \$4,570,000 and was accomplished by depositing in an escrow account the net proceeds of the new bond issue and a portion of the 1992 Bond Reserve Fund to provide for all future payments on the refunded 1992 bonds. The balance of debt outstanding on the refunded bonds at June 30, 2005 was \$4,570,000. Interest payments have been made annually. The initial principal payment is due October 1, 2008.

All refunded debt of the College is considered defeased and the liability for such debt is not included on the Statement of Net Assets.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 11: LEASE PURCHASE AGREEMENTS

In June, 1998, the College entered into a Lease/Purchase Agreement with the Fort Lewis College Foundation for the acquisition of a modular building for the principal amount of \$441,329 with payments to be made through October, 2006 with a variable interest rate. The variable rate is determined annually as the Prime Interest rate less 1.5 percent.

The following is a schedule by years of future minimum lease payments for the Fort Lewis College projects as of June 30, 2005 with the present value of the net minimum lease payments to their maturity.

Year Ending	
June 30:	
2006	\$130,802
2007	<u>2,152</u>
Total remaining minimum	
lease payments	132,954
Less: interest	<u>6,001</u>
Present value of net payments	<u>\$126,953</u>
 Schedule of Leased Assets:	
Modular Building	\$441,329

NOTE 12: OPERATING LEASES

Certain equipment is being leased by the College under operating leases. The following is a schedule of all future minimum rental payments due on operating leases:

Year Ending June 30:	
2006	\$99,835
2007	85,394
2008	<u>78,556</u>
Total	<u>\$263,785</u>

Rent expense for the years ended June 30, 2005 and 2004 was \$111,316 and \$114,264 respectively.

NOTE 13: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2005 and 2004 are as follows:

	<u>6/30/05</u>	<u>6/30/04</u>
Education and General	\$191,657	\$168,247
Auxiliary Enterprises	336,820	265,967
Restricted Funds	73,519	115,011
Plant Funds	<u>81,052</u>	<u>24,407</u>
Total	<u>\$683,048</u>	<u>\$573,632</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 14: SCHOLARSHIP ALLOWANCE

Tuition, fees, auxiliary revenue, and the related scholarship allowances for the year ended June 30, 2005 and 2004 were as follows:

	Tuition and <u>Fees</u>	Auxiliary <u>Revenue</u>	6/30/05 <u>Total</u>	6/30/04 <u>Total</u>
Gross Revenue	\$24,607,595	\$13,245,348	\$37,852,943	\$35,222,606
Scholarship Allowances:				
Federal	(2,052,289)	(411,287)	(2,463,576)	(2,487,668)
State	(7,877,401)	(117,336)	(7,994,737)	(7,177,645)
Private	(262,079)	(52,522)	(314,601)	(396,812)
Institutional	(1,180,187)	(236,515)	(1,416,702)	(1,050,158)
Total Scholarship Allowances	<u>(11,371,956)</u>	<u>(817,660)</u>	<u>(12,189,616)</u>	<u>(11,112,283)</u>
Net Revenue	<u>\$13,235,639</u>	<u>\$12,427,688</u>	<u>\$25,663,327</u>	<u>\$24,110,323</u>

NOTE 15: EMPLOYMENT BENEFITS

Employees of the College participate in one of three retirement plans. Eligible student employees participate in a student retirement plan that is funded solely by contributions from the student employees. All other eligible employees of the College participate in either the PERA plan or an optional defined contribution plan.

The College's total payroll for the fiscal year ended June 30, 2005 and 2004 was and \$24,944,949 and \$24,134,202 respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$10,934,505, \$10,781,376, and \$417,447 respectively for June 30, 2005 and \$11,894,020, \$8,932,344, and \$393,278 respectively for June 30, 2004. The remaining employees were not eligible for participation in any of the College's plans.

PERA Defined Benefit Pension Plan

Plan Description - A portion of the College employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA.) PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203, by calling PERA at 303-832-9550 or 1-800-729-7372, or by visiting WWW.COPERA.ORG.

Plan members vest after five years of service and most are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit and their age plus years of service equals 80 or more. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 15: EMPLOYMENT BENEFITS (Continued)

Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their spouse or their eligible children under the age of 18 (23 if a full time student) are entitled to monthly benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

Funding Policy - College employees contribute 8.0 percent of their gross covered wages as defined in CRS 24-51-101(42) to an individual account in the plan. During Fiscal Year 04-05, the College contributed 10.15 percent of the employee's gross covered wages. Effective July 1, 2004, 1.02 percent of the total contribution was allocated to the Health Care Trust Fund.

The annual gross covered wages subject to PERA are the gross earnings less any reduction in pay to offset employer contributions to the College sponsored IRC 125 plans established under Section 125 of the Internal Revenue Code. The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly.

The College's total contributions to PERA for the fiscal years ending June 30, 2005, 2004, and 2003 were \$1,109,852, \$1,207,243, and \$1,350,501 respectively. These contributions met the contribution requirement for each year.

Voluntary Tax-Deferred Retirement Plans

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan and the College offers a 457 deferred compensation plan, a 403(b) and a 401(a) plan. Members who contribute to any of these plans also receive the State's match, when available.

In January, 2001, the MatchMaker Program established a state match for PERA member's voluntary contributions to tax-deferred retirement plans. The PERA Board sets the level of the match annually based on the actuarial funding of the defined benefit pension plan. The match is only available when the actuarial value of the defined benefit plan assets is 110 percent of actuarially accrued plan liabilities. This condition was not met during Fiscal Year 2004-05.

Optional Defined Contribution Plan

Certain full time faculty and professional staff of the College participate in an optional defined contribution plan as an alternative to PERA. Two vendor choices are offered through the defined contribution plan; Teachers Insurance Annuity Association (TIAA) and Variable Annuity Insurance Corporation (VALIC). The College's aggregate contribution to the above two vendors was equal to 11.4 percent of covered payroll or \$1,229,077 for the fiscal year ended June 30, 2005 and \$1,018,287 for the fiscal year ended June 30, 2004. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$862,510 for the fiscal year ended June 30, 2005 and \$714,588 for the fiscal year ended June 30, 2004.

Student Employee Retirement Program

Eligible student employees contribute 7.5% of covered payroll to the student retirement program. All contributions are invested with one vendor, Teachers Insurance Annuity Association. The contribution by student employees for the fiscal year ended June 30, 2005 and 2004 was \$31,309 and \$29,496 respectively. The College is not liable for any matching contributions to the student retirement program.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 15: EMPLOYMENT BENEFITS (Continued)

Health Insurance Programs

The College's contribution to the various health insurance programs for the fiscal year ended June 30, 2005 and 2004 was \$1,646,070 and \$1,560,283 respectively.

NOTE 16: POST-EMPLOYMENT BENEFITS

PERA Post-Employment Health Care and Life Insurance Benefits

Health Care Program

PERACare (formerly known as the PERA Health Care Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Trust Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During Fiscal Year 04-05, the premium subsidy was \$115.00 for those with 20 years of service credit (\$230 for members under age 65 and not eligible for Medicare), and it was reduced by 5 percent for each year of service fewer than 20. The Health Care Trust Fund is maintained by an employer's contribution as discussed in Note 15.

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical and prescription benefit plans, and with several health maintenance organizations providing services within Colorado. As of December 31, 2004 there were 39,668 enrollees in the plan.

Life Insurance Program

PERA provides its members access to two group life insurance plans offered by Prudential Insurance Company and Anthem Life (formerly know as Rocky Mountain Life Insurance Company.) Effective April 1, 2005, PERA consolidated the two plans and UnumProvident became the administrator. Members who transition to the new plan may join one or both plans, and they may continue coverage into retirement. Premiums are collected monthly by payroll deduction or other means.

NOTE 17: COMMITMENTS AND CONTINGENCIES

Contracts have been entered into for the purpose of planning, constructing, or equipping certain building or land improvements with outstanding amounts totaling \$305,215 as of June 30, 2005. These improvements will be funded by appropriations from the State, revenue bonds, or internal transfers of funds. The amount of state capital appropriations unexpended was \$16,044 as of June 30, 2005.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 17: COMMITMENTS AND CONTINGENCIES (Continued)

The College receives significant amounts from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the College. However, College management believes that any such disallowed amounts will not have a material adverse effect on any of the financial statements or on the overall financial position of the College at June 30, 2005.

The College is insured by the State of Colorado self-insurance program for liability, property, and workers compensation insurance.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 26, 2005

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Fort Lewis College, a blended component unit of the State of Colorado and its discretely presented component unit, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 26, 2005. We did not audit the financial statements of the Fort Lewis College Foundation, the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fort Lewis College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fort Lewis College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Fort Lewis College's internal control over financial reporting. This was done to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the State of Colorado Legislative Audit Committee and management of Fort Lewis College, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record upon release by the Legislative Audit Committee.

Chadwick, Steinkirchner, Davis & Co., P.C.

39



AUDIT COMMITTEE COMMUNICATIONS

August 26, 2005

Members of the Legislative Audit Committee:

We have audited the financial statements of Fort Lewis College, a blended component unit of the State of Colorado, for the year ended June 30, 2005, and have issued our report thereon dated August 26, 2005. As required by professional auditing standards, we are providing you with information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

Our responsibility under professional standards is to plan and perform an audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Fort Lewis College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Fort Lewis College's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of the engagement letter we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Fort Lewis College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2005 or 2004. We noted no transactions entered into by Fort Lewis College during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements and are based on management's judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The significant accounting estimates affecting the financial statements are the allowance for uncollectible receivables, accrued compensated absences, scholarship allowances, and the depreciation of capital assets. We evaluated the factors and assumptions used to develop these estimates and determined they are reasonable in relation to the financial statements taken as a whole.



Members of the Legislative Audit Committee
August 26, 2005
Page Two

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Fort Lewis College's financial reporting process (that is, cause future financial statements to be materially misstated). We noted no adjustments that could have a significant effect on Fort Lewis College's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statement or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Fort Lewis College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit. This information is intended solely for the use of the Legislative Audit Committee and management of Fort Lewis College and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record upon release by the Legislative Audit Committee.

Chadwick, Steinkirchner, Davis & Co., P.C.

**STATE-FUNDED STUDENT ASSISTANCE
PROGRAMS SECTION**

FORT LEWIS COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the Year Ended June 30, 2005

Introduction

Fort Lewis College is a state-supported institution of higher education located in Durango, Colorado.

The financial and compliance examination of the various state-funded student assistance programs at the College for the year ended June 30, 2005, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Commission on Higher Education (CCHHE). The State student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2005.

State-Funded Student Assistance Programs

The various state-funded student assistance programs at the College include the Colorado Student Grant Program, Colorado Work Study Program, Undergraduate Merit Award Program, Perkins Student Loan Matching Program, Diversity Grant Program, Governor's Opportunity Scholarship, Colorado Leveraging Education Assistance Partnership Program (CLEAP) and Special Leveraging Education Assistance Partnership Program (SLEAP).

The state-funded student assistance awards made by the College were \$1,194,000 and \$1,245,000 for the fiscal years ended 2005 and 2004, respectively. In addition, total state-funded matching funds of \$10,300 during fiscal year 2005 and \$10,300 for fiscal year 2004 were transferred to the Perkins Student Loan Fund.

The Director of Financial Aid is responsible for the administration of these programs. This responsibility includes application processing, eligibility determination, and financial aid packaging, as well as ensuring compliance with regulations governing the participation of the College in federal and state financial aid programs. The College Controller is responsible for the programs' financial management, general ledger accounting, payments, and collections.

During the audit period Fort Lewis College obtained authorizations to award federal student financial aid funds of \$3,068,000 in the Pell Grant Program, \$210,000 in the Supplemental Educational Opportunity Grant Program, \$197,000 in the College Work-Study Program and \$31,000 in the Perkins Student Loan Program.

During the audit period Fort Lewis College obtained authorizations to award Colorado student financial aid funds of \$45,000 in total for the CLEAP and SLEAP Programs, \$561,000 in the Student Grant Program, \$243,000 in the Colorado Work Study Program, \$140,000 in the Merit Award Program, \$0 in the Diversity Grant Program, and \$194,000 in the Governor's Opportunity Scholarship.



**INDEPENDENT AUDITORS' REPORT ON THE STATEMENTS OF APPROPRIATIONS,
EXPENDITURES, TRANSFERS, AND REVERSIONS OF THE STATE-FUNDED
STUDENT ASSISTANCE PROGRAMS**

August 26, 2005

Members of the Legislative Audit Committee:

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for Fort Lewis College, a blended component unit of the State of Colorado, for the year ended June 30, 2005. This Statement is the responsibility of the College's management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The statement was prepared in the format as set forth in the *Colorado Handbook for State-Funded Student Financial Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHE), 2005 revision. The Statement is a summary of cash activity of the state-funded student financial assistance program with the exception of the College Work-Study Program and the Perkins Loan Program, and does not present certain transactions that would be included in the statements of the state-funded student financial assistance programs if presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying Statement is not intended to present the financial position or changes in financial position of Fort Lewis College, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Statement referred to above presents fairly the appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Program of Fort Lewis College for the year ended June 30, 2005, in conformity with the provisions of the Colorado Commission on Higher Education's *Colorado Handbook for State-Funded Financial Assistance Programs*.



Members of the Legislative Audit Committee
August 26, 2005
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2005 on our consideration of Fort Lewis College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Chadwick, Steinkirchner, Davis & Co., P.C.

FORT LEWIS COLLEGE
 STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
 STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
 FISCAL YEAR ENDED JUNE 30, 2005

	Total Colorado Financial <u>Aid</u>	Student Grant <u>Program</u>	Work Study <u>Program</u>	Undergraduate Merit Award <u>Program</u>	Perkins Loan <u>Match</u>	Diversity Grant <u>Program</u>	Governor's Opportunity Scholarship	<u>CLEAP</u>	<u>SLEAP</u>
Appropriations:									
Original	\$1,196,795	\$ 564,000	\$ 244,396	\$ 134,115	\$ 10,346	\$ -	\$ 198,307	\$ 6,779	\$ 38,852
Supplementals	(2,821)	(2,651)	(1,149)	5,414			(4,220)	(32)	(183)
Totals	1,193,974	561,349	243,247	139,529	10,346	-	194,087	6,747	38,669
Expenditures	1,193,974	561,349	243,247	139,529	10,346	-	194,087	6,747	38,669
Reversion to State	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FORT LEWIS COLLEGE

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

June 30, 2005

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND
REVERSIONS**

Basis of Accounting

The Statement of Appropriations, Expenditures, Transfers, and Revisions has been prepared in accordance with the format set forth in the Colorado Commission on Higher Education's publication *Colorado Handbook for State-Funded Student Financial Assistance Programs*.

The Perkins Loan Program matching requirement from general funds, as approved by the Colorado Commission on Higher Education, is recorded as a transfer from the general fund to the loan fund and not as general fund expense and loan fund revenue.

All student aid is expensed on a cash basis except for Perkins loans and the College Work Study Program (CWS). Perkins loan disbursements are recorded as loans receivable when the funds are disbursed. The CWS is on the accrual basis in that the expense is recognized when the services are performed.

The electronic version of this report is available on the Web site of the
Office of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303-869-2800

Please refer to the Report Control Number below when requesting this report

Report Control Number 1715